



U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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March 9, 2009

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management

FROM: Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff

SUBJECT: Hearing on Economic Development Administration Reauthorization:
Evaluating Past Performance and Setting Goals during an Economic Crisis

PURPOSE OF THE HEARING

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Tuesday, March 10, 2009, at 10:00 a.m. in room 2167 Rayburn House Office Building to receive testimony regarding the reauthorization of the Economic Development Administration.

BACKGROUND

The Subcommittee on Economic Development, Public Buildings, and Emergency Management has jurisdiction over the authorization and oversight of programs promoting economic development in communities suffering economic distress. The economic development activities of the Subcommittee include jurisdiction over the Economic Development Administration (EDA) of the U.S. Department of Commerce, the Appalachian Regional Commission (ARC), the Denali Commission, the Delta Regional Authority (DRA), the Northern Great Plains Regional Authority, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Southwest Border Regional Commission.

Many regions continue to experience high poverty, areas of significantly higher than-average unemployment rates, limited access to capital, low per capita personal income, and high job loss.

Established by the Public Works and Economic Development Act of 1965, the Economic Development Administration was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The mission of EDA today remains much the same as it was when originally founded, "To enhance community success in attracting private capital investment and lucrative job opportunities." EDA has stated that to fulfill its mission, it must be, "... guided by the principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies."

EDA provides assistance for projects through a variety of programs: Planning; Technical Assistance; Public Works; Economic Adjustment; Research and Evaluation; and Trade Adjustment Assistance. Projects are located in areas exhibiting economic distress at the time of application. Projects located outside these areas may be considered if they directly benefit a distressed area. All Public Works and Economic Adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Planning grants support the design and implementation of effective economic development policies and programs by local organizations. Grants made to university centers provide technical assistance to public bodies, nonprofit organizations, and businesses to plan and implement activities designed to generate jobs and income in distressed areas. Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses generating employment in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration. Economic adjustment investments provide a package of assistance tools, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities counteract either a gradual erosion or a sudden dislocation of their local economic structure as a result of natural disasters, international trade competition, or major plant closings. Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers (TAAC), to certified U.S. manufacturing firms and industries economically injured as the result of international trade competition.

The initial authorization of EDA, which was for five years, expired in 1970. From 1970 through 1980, EDA continued to operate without a reauthorization, though there were several legislative efforts to reorganize and reorient the Agency. During this time, the agency continued to receive appropriations, including \$6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized, however, that reauthorization expired in 1982, and until 1998, the Agency went without an authorization, surviving only on year-to-year appropriations.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 reauthorized the Agency for a period of five years, and authorized funding levels that progressively declined from an initial amount of \$398 million for FY 1999 to \$335 million in FY 2003. Additionally, this reauthorization put into place a number of the management and administrative reforms already underway, such as efforts to target the most distressed areas and encourage regional cooperation.

The Economic Development Administration Reauthorization Act of 2004 (P.L. 108-373) reauthorized EDA for a period of five years, through fiscal year 2008. The authorized amounts for EDA programs were:

➤ Fiscal Year 2004	\$400,000,000
➤ Fiscal Year 2005	\$425,000,000
➤ Fiscal Year 2006	\$450,000,000
➤ Fiscal Year 2007	\$475,000,000
➤ Fiscal Year 2008	\$500,000,000

The law continued to authorize the public works grants, trade adjustment grants, economic adjustment assistance, planning assistance, and technical assistance. Special impact areas were defined, and the Secretary was authorized to waive match requirements within these impact areas. A brownfields redevelopment program was authorized, and a brightfields demonstration program was authorized which focused on solar energy technologies utilized to develop abandoned or contaminated sites intended for commercial use.

In 2007, EDA engaged Grant Thornton to study the costs and economic impact of EDA's construction investments. This study is similar in content to the study conducted by Rutgers in 1997. The Grant Thornton study surveyed more than 40 other similar federal programs.

In summary, the Grant Thornton study concluded that "EDA investments in rural areas have a statistically significant impact on employment levels in the communities in which they are made, generating between 2.2 and 5.0 jobs per \$10,000 in incremental EDA funding, at a cost per job of between \$2,001 and \$4,611." The study further concluded that EDA's investment in business incubators was worthwhile and concluded that this type of investment generate significantly greater impacts in the communities in which they are made than do other project types. Regarding ancillary jobs created by EDA investment, the study highlighted that an additional five jobs was created, and finally the study emphasized that EDA jobs tend to be more long term and are usually retained longer.

PRIOR LEGISLATIVE AND OVERSIGHT ACTIVITY

During the 110th Congress the Committee on Transportation and Infrastructure held a hearing on January 23, 2007, to examine the state of economic development programs, and the role of the Federal Government in economic development, and recommendation for 21st Century investment. On May 3, 2007, the Committee held a hearing on the potential economic development role for the Northern Border Economic Development Commission, the Southeast Crescent Authority, and the Southwest Regional Border Authority. The House passed H.R. 3246, the Regional Economic and Infrastructure Act of 2007, which was incorporated into P.L. 110-234, Title VI, sections 6025 and 6026, and Title XIV, section 14217.

WITNESSES

Ms. Sandra R. Walters

Acting Assistant Secretary of Commerce for Economic Development
Economic Development Administration

Accompanied by

Mr. Dennis Alvord

Acting Deputy Assistant Secretary of Commerce for Economic Development
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Ms. Sharon Juon

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